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**FISCAL IMPACT STATEMENT**

**LS 7184**

**BILL NUMBER:** HB 1551

**NOTE PREPARED:** Jan 11, 2009

**BILL AMENDED:**

**SUBJECT:** Annexation.

**FIRST AUTHOR:** Rep. Stevenson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill requires that a municipality's annexation fiscal plan must include any charges or fees related to economic development projects within the territory to be annexed with an explanation as to how those fees or charges will be imposed on property owners.

The bill provides that an annexation ordinance may include terms and conditions establishing equitable provisions for economic development in the annexed territory. It provides that if an ordinance contains terms and conditions establishing equitable provisions for economic development of the territory, two members must be appointed to the municipal advisory board who: (1) own real property within the annexed territory; and (2) develop property or are an economic development official within the annexed territory.

The bill also provides that landowners may establish at the remonstrance hearing that the annexation will result in additional or duplicative costs (instead of that the annexation will have a significant financial impact on the residents or owners of land) in establishing the conditions required for the court to order an annexation not to take place.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Under current law, a municipality planning to annex territory has to provide written notice of the required annexation hearing. The notice has to include a summary of the fiscal plan for annexation. Additionally, the annexation ordinance must include terms and conditions fairly

calculated to make the annexation equitable to the property owners and residents of the municipality and the annexed territory. Current law also stipulates that an advisory board consisting of seven members will be appointed to advise the municipality on the provision of the services to the annexed territory that are paid with the municipal property taxes.

Under this bill, for annexation ordinances adopted after June 30, 2009, the fiscal plan must include any fees related to economic development projects within the territory to be annexed and explain how those fees or charges will be imposed on property owners. The annexation ordinance may include procedures to ensure that the annexed territory gets equitable share of resources used for economic development. If the ordinance does address economic development issues, two additional members, appointed by the county executive would be added to the advisory board. These individuals must own real property and either develop property or serve as economic development officials within the annexed territory.

Under current law, one of the conditions that the courts shall use in forbidding a proposed annexation from taking place is that the annexation will have a significant financial impact on the residents or owners of land in the territory to be annexed. This proposal replaces this condition. Instead, under this bill, landowners in the territory to be annexed would have to establish that the annexation would result in additional or duplicative costs on the residents or owners of land.

There are two inter-related fiscal impacts under this bill. The first is on the territory being annexed. The additional charges and fees that its taxpayers might have to pay may be greater than the financial return of the anticipated economic development. On the other hand, annexation may give the territory access to resources not previously available. There is also a related fiscal impact on the annexing municipality. It could experience more economic development or a drain on its resources depending on its relationship with the annexed territory.

The long-term impact of this bill would depend on local action.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:**

**Information Sources:**

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